

VZCZCXRO4884  
PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ  
RUEHPW RUEHROV RUEHVK RUEHYG  
DE RUEHAH #0430/01 0980831  
ZNR UUUUU ZZH  
P 070831Z APR 08  
FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 0558  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY  
RUCNCIS/CIS COLLECTIVE PRIORITY  
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY  
RUEHAK/AMEMBASSY ANKARA PRIORITY 3594  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1412  
RUEHKO/AMEMBASSY TOKYO PRIORITY 1279  
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1848  
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 ASHGABAT 000430

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR SCA/CEN, EEB  
USAID/W FOR EE/AA

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [TX](#)

SUBJECT: TURKMENISTAN: NEW TRANSPARENCY IN DISCUSSING  
ECONOMIC REFORM

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On April 2, the state-owned, Russian-language daily, "Neytralniy Turkmenistan," prominently featured on page 2 an article written by the Deputy Head of Macroeconomic Analysis and Forecast at Turkmenistan's newly established Institute of Strategic Planning and Economic Development, Mr. Komarov. In his article, entitled "Macroeconomic Regulatory System -- Basis for Further Development of Turkmenistan," Komarov makes the case for why President Berdimuhamedov's current economic and foreign policies help secure stable economic development and ultimately bring prosperity to the people. In laying out his justification for macroeconomic reform, however, Komarov's discussion goes well beyond the president's current initiatives to discuss areas where more reform is needed. We see this as a positive development. The government is being more transparent by putting ideas out for discussion rather than simply issuing presidential decrees as faits accomplis. END SUMMARY.

13. (SBU) On April 2, the state-owned, Russian-language daily, "Neytralniy Turkmenistan," prominently printed a 3/4 page article written by Mr. Komarov of the Institute of Strategic Planning and Economic Development, a think tank established during the October 11, 2007, reorganization of the National Institute of State Statistics. The article, "Macroeconomic Regulatory System -- Basis for Further Development of Turkmenistan," both supports President Berdimuhamedov's current economic and foreign policies and suggests additional reforms.

A GRADUAL APPROACH TO ECONOMIC REFORM

14. (U) Noting that President Berdimuhamedov called during a February 8 cabinet meeting to maintain an 8-10% GDP annual growth rate, Komarov argues that a strategic development plan aimed at such an outcome should take into account macroeconomic concepts. However, the author believes that reform of national monetary, fiscal/budgetary, investment,

trade, and social policies should be balanced and gradual. He holds that implementation of advanced market mechanisms is necessary, but at the same time proposes to protect interests of both the public and private sectors. President Berdimuhamedov, Komarov points out, instructed his government to elaborate an "optimal" concept of state regulation and promotion of the non-government sector.

#### DIVERSIFY REVENUE-PRODUCING SECTORS

¶5. (U) Komarov emphasizes that, although gas and oil exports generate significant foreign exchange revenue, such exports have certain limiting aspects -- namely, market conditions and locations. He suggests using Turkmenistan's accumulated reserves to diversify into sectors such as transport, telecommunications and tourism. Komarov believes that Turkmenistan could increase the volume of cargo transiting through the country because of its geographic location. He also urges the government to limit imports by enhancing local production -- and recommends that production should take into account domestic consumer demand, as well as the overseas markets for such goods.

#### A COMMENDATION FOR CURRENCY RATE UNIFICATION

¶6. (U) Komarov commends the Turkmen government's decision to unify the currency exchange rates. Benefits of such a course will include increased market competition, a strengthened export potential for Turkmenistan, and increased real income for the population, though such increased income would only be possible under conditions of low inflation.

#### A CALL TO ESTABLISH FOREIGN FINANCIAL INSTITUTIONS

ASHGABAT 00000430 002 OF 002

¶7. (U) The author states that an increase in consumer income and savings would encourage financial mechanisms that would channel the savings into attractive financial instruments. He also suggests that the Avaza National Tourism Zone on the Caspian Sea could serve as the driving force for transforming the country's financial sector. "Establishment of branches of foreign banks, insurance companies, investment funds, etc. is possible," Komarov concludes.

#### DEVELOP CAPITAL MARKETS

¶8. (U) According to Komarov, his think tank considers development of capital markets in Turkmenistan to be an integral part of market reform -- and the most important prerequisite for transforming Turkmenistan into an international economy. Large government corporations could become the initial platform for developing such markets. Komarov suggests that a corporate model in which shareholders influence decision-making and profit distribution would be relevant for Turkmenistan. He also does not exclude the possibility of introducing mutual funds to Turkmenistan.

#### MODERN LEGAL FRAMEWORK NEEDED

¶9. (U) The article concludes by noting that the development of new economic processes, instruments, and institutions requires a modern and effective legal framework and implementation mechanisms.

¶10. (SBU) COMMENT: Up to now, the rule of thumb has been that the president makes the decisions, and nobody publicly gets out in front of him. Chafing for months over the lack of initiative (and capacity) shown by his officials, Berdimuhamedov has begun establishing a series of think tanks, including the Institute of Strategic Planning and Economic Development, to assist government agencies in making reforms. We see this article as a positive development. The government is being more transparent by putting ideas out for discussion rather than simply issuing presidential decrees as faits accomplis. END COMMENT.

